

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--|---|----------------|
| THE APPLICATION OF FOOTHILLS RURAL TELEPHONE |) | |
| COOPERATIVE CORPORATION, INC. FOR A |) | |
| CERTIFICATE OF PUBLIC CONVENIENCE AND |) | CASE NO. 10297 |
| NECESSITY AUTHORIZING IT TO CONSTRUCT ADDED |) | |
| TELEPHONE LINES AND OTHER FACILITIES |) | |

O R D E R

On June 7, 1988, Foothills Rural Telephone Cooperative Corporation, Inc. ("Foothills RTCC"), filed an application for a Certificate of Public Convenience and Necessity requesting authority to replace four mechanical offices with digital switching equipment, add a new digital host switch, and add or modify outside plant and buildings as necessary to provide adequate telephone service to its subscribers. The estimated cost of the construction requiring Commission approval is \$6,163,835.

Foothills RTCC provides telephone service in Johnson, Lawrence, and Magoffin Counties, Kentucky to approximately 9800 subscribers in 7 exchanges: Blaine, Chapman, Fallsburg, Flat Gap, Royalton, Salyersville, and Staffordsville. The Royalton, Salyersville, and Staffordsville central offices are already equipped with digital switching equipment. In the Blaine, Chapman, Fallsburg, and Flat Gap exchanges, Foothills RTCC plans to replace mechanical switching equipment with digital remote switching equipment. These digital remotes will be hosted, or controlled, by a new switch in its Staffordsville office. The

present switch in the Staffordsville office will remain in service; however, the new switch will be used to accommodate growth in that exchange, as well as to provide a single point of access to the toll network and EAS¹ trunking to Paintsville. The new switch will also provide toll ticketing.²

At the present time, South Central Bell Telephone Company, ("SCB") handles Foothills RTCC's toll traffic. The Chapman, Blaine, and Fallsburg toll traffic is routed to SCB's Louisa office and then to Paintsville. All other exchanges are routed to Paintsville via Staffordsville. The proposed plan is to bring all toll to the Staffordsville office and then route it to the SCB toll center at Paintsville. The existing facilities to Louisa will be retained, or expanded, for EAS traffic. This will require back-door trunking³ capabilities in the new Fallsburg, Blaine, and Chapman remotes. Intra-system toll⁴ will be retained and ticketed in Staffordsville rather than being transported to Paintsville and back. The facilities required for this are also required for the host-remote links, which must be provided even if intra-system toll is transported to Paintsville. Foothills RTCC indicates that

¹ Extended Area Service.

² The recording of toll call information, such as originating and terminating telephone numbers and duration of call, for billing purposes.

³ The term "back-door trunking" refers to the capability of a remote to switch interexchange traffic without the necessity of routing the traffic to the host switch and back.

⁴ Toll traffic that originates and terminates within Foothills RTCC's exchanges.

the incremental costs of switching intra-system toll will be very small since the cost would be basically software changes.

In support of its application, Foothills RTCC indicates that the central office replacements are required for the following reasons:

1. Normal growth patterns indicate that line additions would be required within the next 5 years. Building additions would be required at two exchanges before the present equipment could be expanded; however, the replacement of this equipment with digital switching equipment will require only modest building modifications.

2. Central office equipment at four exchanges is either obsolete or no longer being manufactured. The Blaine and Fallsburg central offices presently contain ITT North NX2 switching equipment. The Blaine equipment was installed in 1981; however, this equipment was originally installed in the Staffordsville office in 1959. The Fallsburg equipment was installed in 1975. The Chapman and Flat Gap central offices presently contain Stromberg "XY" TPS equipment. Both were installed in 1967. The equipment in all four of these exchanges is no longer manufactured nor supported by the manufacturers.

3. Central office maintenance expenses have increased from \$148,757 in 1983 to \$299,862 in 1987, and it is expected that the new equipment will either reduce these expenses or reduce its rate of growth.

4. Most of the present central office equipment cannot provide enhanced services, such as 911 or custom calling features.

The added outside plant facilities are either required in connection with the central office replacements or are required to accommodate normal growth.

FINDINGS AND ORDERS

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that:

1. Public convenience and necessity require that the construction proposed in the application be performed and that a Certificate of Public Convenience and Necessity should be granted.

2. Foothills RTCC should keep the Commission informed of its progress on this construction project by filing a copy of all progress reports, or similar documents, submitted to the Rural Electrification Administration with this Commission. This case number should be cited on all reports.

3. The retirement of central office equipment may result in a depreciation reserve deficiency. All amortizations will require specific Commission approval and should be applied for separately, if necessary.

IT IS THEREFORE ORDERED that:

1. Foothills RTCC be and it hereby is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project as described in this Order and its application.

2. Foothills RTCC shall comply with all matters set out in Findings 2 and 3 as if same were individually so ordered.

Done at Frankfort, Kentucky, this 1st day of August, 1988.

PUBLIC SERVICE COMMISSION

Paul D. Hemmick
Chairman

Robert M. Davis
Vice Chairman

Sam N. Williams
Commissioner

ATTEST:

Executive Director